

Fairfax County Economic Index

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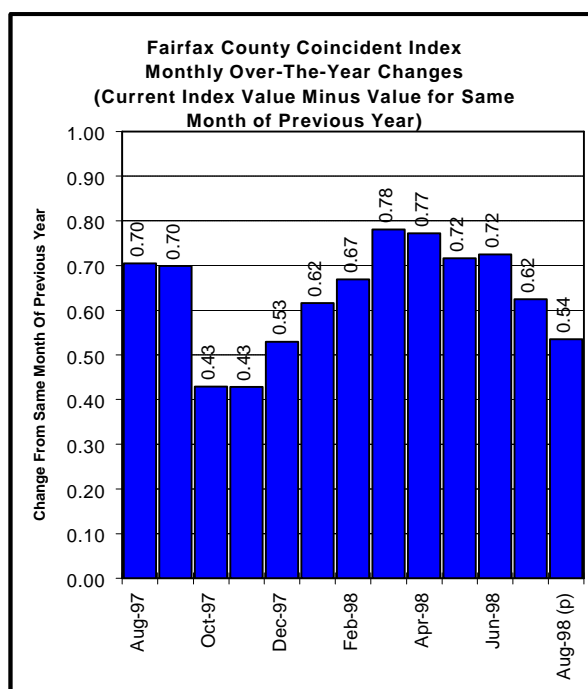
OCTOBER 1998

Economy Slows In August

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, was 103.91 in August, down 0.02 percent from July. Over the past four months, the Index gained a total of 0.05 percent and lost a total of 0.05 percent. This flat performance follows six months of gains in which the Index increased 0.6 percent. In August, three of the Index's four components were negative.

- Transient Occupancy Tax collections decreased for a third consecutive month;
- Sales Tax receipts were down slightly in August following two monthly gains; and
- Consumer confidence declined for the first time since January; however,
- Total employment increased for the seventh time in eight months.

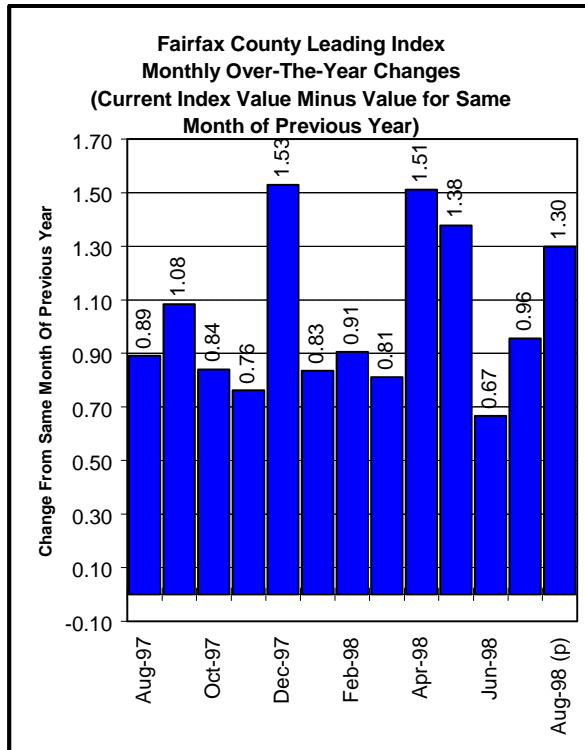
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, was 105.02 in August, down 0.01 percent from July. The Index has now been down in three of the last four months and in five of the year's first eight months. Still, the Index is up overall for the year on the strength of April's strong one-month gain. In August, two of the Index's five components were



Source: GMU Center for Regional Analysis.

negative.

- New automobile registrations declined sharply and have been down in three of the past four months; and
- Residential building permits decreased following two strong monthly gains; while



Source: GMU Center for Regional Analysis.

- Initial claims for unemployment insurance decreased (improved) after increasing the two previous months;
- Consumer expectations (consumer confidence six months hence) in the South Atlantic region increased in contrast to the negative national trend following two monthly declines; and
- The mean value of residential building permits increased substantially in August after declining for three consecutive months.

The Fairfax County economy appears to have plateaued since April. And, during this period, the County's economy has begun to exhibit marginal signs of slowing. This pattern of performance has been anticipated by the slightly negative trend (with the one exception of April) that has characterized the Leading Index over most of the year.

CURRENT CONDITIONS

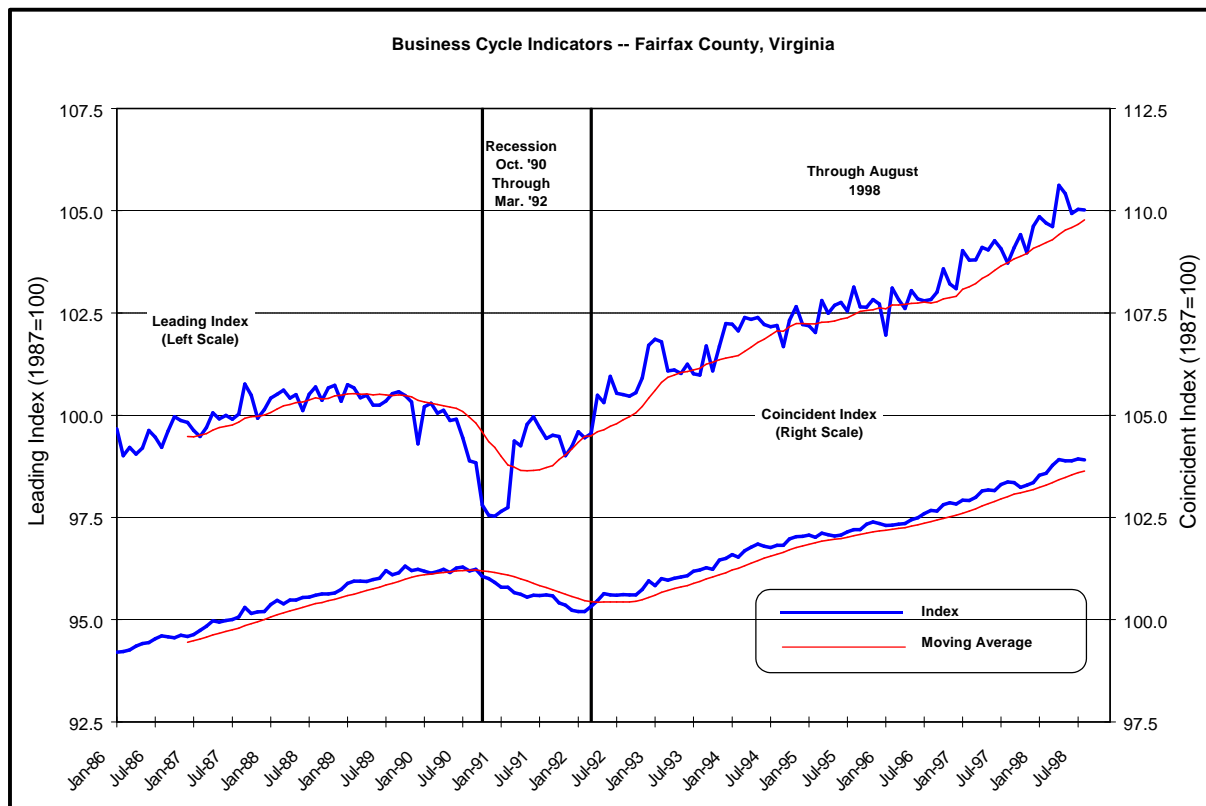
Increasing volatility in world financial markets has begun to impact the performance of

the national and area economies. After growing at a 5.5 percent annual rate during the first quarter, gross domestic product slowed to 1.8 percent in the second quarter. Estimates for the third quarter indicate GDP growth continuing to fall under the 2.0 percent level with forecasts for 1999 reflecting further slowing in the economy.

At present, the economies of both the region and Fairfax County continue to perform strongly. At the metropolitan level, August job growth was the strongest since the beginning of the recovery seven years ago. Monthly over-the-year job gain totaled 67,300 for an increase of 2.7 percent. The private sector led this growth adding 59,800 jobs for an increase of 3.1 percent, and unemployment continued to fall registering 3.2 percent regionwide, down from 3.6 percent a year ago.

Fairfax County has continued to be the major source of the region's job gains. During the 12 months ending in August, the County generated a total of 18,091 net new jobs, for a gain of 4.0 percent. This performance exceeded July's when job growth slowed slightly to 3.8 percent falling below the 4 percent level for the first time since January. With the rate of job growth continuing to exceed labor force growth by a factor of 2, the County's unemployment level remained one of the lowest in the region dropping to 1.8 percent, down from 2.4 percent a year ago.

The County's strong job growth provides a good measure of current economic conditions. Other indicators, however, are providing contrary signals. Consumer confidence has softened both in the present and expectations (six months hence). With lower consumer confidence at the national level, retail sales overall which had run ahead of last year have begun to slow. Monthly over-the-year gains in retail sales nationally in August were up 2.7 percent. In July they had increased 5.0 percent and in June they had gained 7.9 percent. This slowing is also reflected in Fairfax County. Monthly over-the-year sales tax receipts in August were up 11.7 percent but on a month-to-month seasonally adjusted basis, August receipts declined 0.73 percent from July.



Source: GMU Center for Regional Analysis.

Consumer confidence continues to be a key indicator to watch in coming months during which time retail spending is a major driver of the economy's performance. Recent actions by the Federal Reserve Board in lowering the federal funds rate twice in a one-month period and resultant recovery in the U. S. and major world securities markets, may be sufficient to settle consumer uncertainty and re-ignite consumer spending. However, if consumer confidence continues to slip, it is likely to pull the economy lower.

NEAR-TERM OUTLOOK

The Leading Index has been slipping since February, declining in five of the last seven months. As a forecasting index for the future performance of the Coincident Index, this slightly downward trend is suggesting that the economy's future growth path could be lower. However, the Index's low

rates of monthly decline do not suggest any fundamental weakening in the economy.

Weaker retail and automobile sales are consistent with the recent decline in consumer expectations (confidence in the future). This trend in consumer uncertainty can be deepened or quickly reversed by changes in external economic conditions. With recent interest rate reductions by the Fed, the prospects for stronger consumer spending during the holiday season have been improved.

Based on the most recent economic indicators, it is likely that the near-term performance trend will continue to slowly move lower.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Aug-98 Prelim.	Jul-98 Final	Aug-97 Final	Jul-98 to Aug-98	Aug-97 to Aug-98
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	103.91	103.93	103.37	-0.02	0.52
Leading Index (1987 = 100)	105.02	105.03	103.72	-0.01	1.25
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	474,996	474,103	456,905	0.19	3.96
<i>Total Covered Employment (Unadjusted)</i>	<i>474,925</i>	<i>476,578</i>	<i>456,836</i>	<i>-0.35</i>	<i>3.96</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	317.4	323.8	286.2	-1.98	10.89
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>514.3</i>	<i>474.8</i>	<i>444.6</i>	<i>8.34</i>	<i>15.67</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,559.7	7,615.4	6,766.1	-0.73	11.73
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>8,772.6</i>	<i>8,986.6</i>	<i>8,044.0</i>	<i>-2.38</i>	<i>9.06</i>
South Atlantic Consumer Confidence	176.3	181.1	169.9	-2.65	3.77
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	4,570	6,287	4,646	-27.31	-1.64
<i>Automobile Registrations (Unadjusted)</i>	<i>5,166</i>	<i>7,148</i>	<i>5,252</i>	<i>-27.73</i>	<i>-1.64</i>
Initial Unemployment Claims (Seasonally Adjusted)	699	839	984	-16.63	-28.96
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>645</i>	<i>839</i>	<i>908</i>	<i>-23.12</i>	<i>-28.96</i>
South Atlantic Consumer Expectations	120.0	117.3	114.1	2.30	5.17
Residential Building Permits (Number of Units, Seasonally Adjusted)	720	1,106	917	-34.88	-21.44
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>810</i>	<i>1,162</i>	<i>1,031</i>	<i>-30.29</i>	<i>-21.44</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	60,277	48,470	49,389	24.36	22.05
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>84,822</i>	<i>67,394</i>	<i>67,098</i>	<i>25.86</i>	<i>26.42</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	542,431	541,261	531,975	0.22	1.97
<i>Total Labor Force (Unadjusted)</i>	<i>549,911</i>	<i>553,851</i>	<i>539,311</i>	<i>-0.71</i>	<i>1.97</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.75	1.69	2.37	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.79</i>	<i>1.69</i>	<i>2.43</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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